

MAY 24 2001

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY 

In the Matter of:

**GREAT SOUTHERN LIFE INSURANCE COMPANY,**

NAIC #90212

**Respondent**

) Docket No. 01A-140-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Great Southern Life Insurance Company ("Great Southern"). The Report of Examination of the Market Conduct Affairs of Great Southern Life Insurance Company alleges that Great Southern has violated A.R.S. §§ 20-297, 20-443, 20-448.01, 20-2104, 20-2110 and A.A.C. R20-6-1203.

Great Southern wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. Great Southern is authorized to transact life and disability insurance pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of Great Southern. The on-site examination covered the time period from September 1, 1999 through August 31, 2000, and was concluded on December 21, 2000. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of Great Southern Life Insurance Company", dated December 21, 2000.

1           3.     Great Southern failed to file a list of all agents representing it within  
2 Arizona prior to January 30, 2000, or at any time prior to 8/31/00.

3           4.     The Examiners reviewed 125 of 541 applications for life insurance  
4 processed by the Company during the time frame of the examination and found that:

5               a.     Great Southern made an adverse underwriting decision on 29 files  
6 but failed on five files to provide the applicant with a written notice of the specific  
7 reason or advise that upon request the specific reason could be obtained.

8               b.     Great Southern made an adverse underwriting decision on 29 files  
9 but failed to provide the 29 applicants with a Summary of Rights.

10              c.     Great Southern failed on 7 files to provide the applicant with a  
11 "Notice of Insurance Information Practices".

12           5.     The Examiners reviewed the HIV testing consent forms used by Great  
13 Southern during the time frame of the examination and found that the Company  
14 utilized three testing consent forms that were neither filed with nor approved by the  
15 Department.

16           6.     The Examiners reviewed 25 of 25 files where the owner had requested a  
17 policy loan during the time frame of the examination and found that the form sent to  
18 the owner on twelve loans failed to include loan interest, which understated the amount  
19 of the loan being charged against the policy.

20           7.     The Examiners reviewed 45 of 45 paid individual death claims processed  
21 during the time frame of the examination and found that Great Southern failed to pay  
22 interest on 1 claim that was not paid within 30 days after the Company's receipt of an  
23 acceptable proof of loss. This resulted in an underpayment to the beneficiary of  
24 \$2,794.52. Great Southern issued payment to the beneficiary for this underpayment  
25 during the examination.



**CONCLUSIONS OF LAW**

1. Great Southern violated A.R.S. §20-297 by failing to file a list of all agents representing it within Arizona prior to January 30, 2000.

2. Great Southern violated A.R.S. §20-443(1) by issuing policy loan forms to owners that understated the amount of the loan being charged against the policy and therefore misrepresented the terms of issued policies.

3. Great Southern violated A.R.S. §20-448.01(B) and A.A.C. R20-6-1203(C) by failing to obtain written consent from the subjects of HIV-related tests on a form filed with and approved by the Director.

4. Great Southern violated A.R.S. §20-2104(A) by failing to provide a "Notice of Insurance Information Practices" to applicants.

5. Great Southern violated A.R.S. §20-2110(A) by failing to provide applicants with a written notice of adverse underwriting decisions that contained the specific reason or advised that the specific reason could be obtained upon request and by failing to provide applicants with a "Summary of Rights."

6. Grounds exist for the entry of the following Order, in accordance with A.R.S. §§ 20-220, 20-456 and 20-2117.

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**ORDER**


**IT IS ORDERED THAT:**

1. Great Southern shall cease and desist from:
  - a. Failing to file a list of all agents representing it within Arizona.
  - b. Issuing policy loan forms to owners that understate the amount of the loan being charged against the policy.
  - c. Failing to obtain written consent from the subjects of HIV-related tests on a form approved by the Director.
  - d. Failing to provide applicants for individual life insurance with a "Notice of Insurance Information Practices".
  - e. Failing to provide applicants with a written notice of adverse underwriting decisions that contain the specific reason for the decision or advise that the specific reason can be obtained upon request.
  - f. Failing to provide applicants with a "Summary of Rights" in the event of an adverse underwriting decision.
2. Within 90 days of filed date of this Order, Great Southern shall submit to the Arizona Department of Insurance, for approval, evidence that corrections have been implemented and communicated to the appropriate personnel, regarding all of the items listed in Paragraph one of the Order section of this Consent Order. Evidence of corrective action and communication thereof includes but is not limited to memos, bulletins, E-mails, correspondence, procedures manuals, print screens and training materials.
3. The Department shall be permitted, through authorized representatives, to verify that Great Southern has complied with all provisions of this Order.
4. Great Southern shall pay a civil penalty of \$6,000 to the Director for

1 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil  
2 penalty shall be provided to the Market Conduct Examinations Section of the  
3 Department prior to the filing of this Order.

4 5. The Report of Examination of the Market Conduct Affairs of Great  
5 Southern Life Insurance Company dated October 19, 2000 including the letter  
6 submitted in response to the Report of Examination, shall be filed with the Department  
7 after the Director has filed this Order.

8 DATED at Phoenix, Arizona this 23<sup>rd</sup> day of May, 2001.

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11 Charles R. Cohen  
12 Director of Insurance  
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1 **CONSENT TO ORDER**

2 1. Great Southern Life Insurance Company has reviewed the foregoing  
3 Order.

4 2. Great Southern Life Insurance Company admits the jurisdiction of the  
5 Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and  
6 consents to the entry of the Conclusions of Law and Order.

7 3. Great Southern Life Insurance Company is aware of its right to a hearing,  
8 at which it may be represented by counsel, present evidence and cross-examine  
9 witnesses. Great Southern Life Insurance Company irrevocably waives its right to  
10 such notice and hearing and to any court appeals related to this Order.

11 4. Great Southern Life Insurance Company states that no promise of any  
12 kind or nature whatsoever was made to it to induce it to enter into this Order and that it  
13 has entered into this Order voluntarily.

14 5. Great Southern Life Insurance Company acknowledges that the  
15 acceptance of this Order by the Director of Insurance, State of Arizona, is solely to  
16 settle this matter against it and does not preclude any other agency or officer of this  
17 state or its subdivisions or any other person from any other civil or criminal  
18 proceedings, whether civil, criminal, or administrative, as may be appropriate now or in  
19 the future.

20 6. MAJOR W. PARK, JR., who holds the office of  
21 SECRETARY of Great Southern Life Insurance Company, is  
22 authorized to enter into this Order for it and on its behalf.

23 **GREAT SOUTHERN LIFE INSURANCE COMPANY**

24 5-22-01  
25 Date

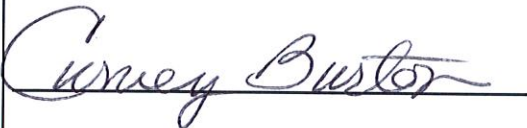
By: 

1 COPY of the foregoing mailed/delivered  
2 This 24th day of May 2001, to:

3 Sara Begley  
4 Deputy Director  
5 Mary Butterfield  
6 Assistant Director  
7 Consumer Affairs Division  
8 Paul J. Hogan  
9 Chief Market Conduct Examiner  
10 Market Conduct Examinations Section  
11 Deloris E. Williamson  
12 Assistant Director  
13 Rates & Regulations Division  
14 Alexandra Shafer  
15 Assistant Director  
16 Life & Health Division  
17 Steve Ferguson  
18 Assistant Director  
19 Financial Affairs Division  
20 Nancy Howse  
21 Chief Financial Examiner  
22 Terry Cooper  
23 Manager  
24 Fraud Unit  
25

16 DEPARTMENT OF INSURANCE  
17 2910 North 44th Street, Second Floor  
18 Phoenix, AZ 85018

19 GREAT SOUTHERN LIFE INSURANCE COMPANY  
20 500 North Akard  
21 Dallas, Texas 75201

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